

THE PARING DOWN OF THE RESERVES – PROGRESS IN RESPECT OF THE DEPARTMENT OF HEALTH AND THEIR PREFERRED TIMEFRAME FOR FUTURE DISBURSEMENTS

1.0 Introduction

1.1 This paper brings the Board up to date with progress in respect of The Department of Health's requirement that MFT develops a Business Case for paring down the Reserves by 30th September, 2012. There has been different perceptions amongst Trustees as to the reasons for reducing the level of Reserves. It would be helpful to explain the position

1.2 The Department of Health (DH) first registered any concerns about the level of the Trust's reserves in 2006/7, at the time of the genesis of the Archer Inquiry, and before the introduction of the non-discretionary, index linked, payments managed through MFET Ltd.

1.3 At that time, the Trust maintained its policy position that future funding levels from the DH were uncertain. The Board agreed it was prudent to maintain at least 12 months forward expenditure to meet operating costs and charitable disbursements.

1.4 Post-Archer, the Board of Trustees came to the conclusion that with the introduction of the non-discretionary payment regime and the policy focus on moving away from single grants to providing calibrated discretionary top-up payments, dependent upon household income, to both the infected and non-infected communities, it was reasonable to assume that there now existed a degree of financial security for the infected community of care and enhanced financial security for the non-infected community of care.

2.0 The Current Situation

2.1 With the bleak economic situation the DH "asked" MFT through the then Chairman and Chief Executive, to take steps to reduce the level of Reserves very significantly. They intimated that if the Trust was not able to do so the DH will, most probably, reduce the level of our annual allocation over the next few years and expect the Board to supplement the level from the Reserves. At the NSSC meeting on 20th December 2011 the then Chairman agreed with the NSSC member Trustees the preferred option for reducing the Reserves (see 2.4 below). The NSSC agreed to set up a dedicated Reserves Working Party comprising the following membership

Russell Mishcon (Chairman)

Elizabeth Boyd

Alan Burgess

In February 2012 Roger Evans was asked to join the Working Party

This was reported to the Board on 30th January 2012 (min no. 533.12 refers). The terms of reference were not fully set out but the working party was charged, because of the urgency, with bringing forward a process that would lead to the eventual diminution of the retained reserves.

2.2 The DH Infectious Diseases and Blood Policy Team (BPT) Deputy Director made it clear in January 2012 that the DH would need to approve the Business Case before the MFT could commit funds from the Reserves. It is worth noting that the "mood music" from the DH surrounding the business

case has, over time, significantly hardened. This has occurred over a number of meetings and communications and, in a letter, to the Chairman, dated 15th June the Deputy Director has stated that the case will now be put to Ministers. Initially the DH was requiring the case by 31st August 2012. The DH have now agreed, with the Chairman and Chief Executive, that the date can be deferred until 30th September so that there will be time to seek agreement of the full Board at the meeting on 24th September. Regular contact with the DH is maintained to manage the process to try and ensure that the Business Case submitted in September will be endorsed.

2.4 The preferred option, supported by the NSSC, is that the funds be utilised to meet individual's capital needs. As the proposal to the DH will need to be heavily evidence based, the Reserves Working Party has commissioned =MC to gather the information from individual beneficiaries. Their work will be supported by the Welfare Team and Mark Simmons the Senior Social Worker at the Birmingham CCC. Letters were sent to all beneficiaries in April 2012 (copies attached) these received positive response from many beneficiaries but generated strong opposition from others. In particular, they were very unhappy with the seeming requirement to agree to a home visit or, otherwise, be ineligible for capital funding. An open discussion was held at the Men Only Weekend on 15th June and ad hoc meeting of beneficiaries on 20th June; there were 24 attenders. The Chief Executive, Russell Mishcon and Matt Gregory attended both meetings. The Chairman and Chief Executive and Mr Mishcon attended the "Men Only" Weekend. Following 20th June meeting a letter (copy attached) was sent to all beneficiaries clarifying the position and reassuring them that a home visit was not essential. This seems to have gone some way towards placating some beneficiaries but there is still a lot of anger, some directed personally.

2.5 In the first instance, =MC are undertaking a pilot study and are contacting and interviewing a limited number of beneficiaries. Chris Harrington, Senior CNS at the Royal Free, was invited to lead a dedicated training course for the =MC interviewers. Subsequently, they will be contacting all remaining beneficiaries. The commencement of the survey marked the completion of the work of the Reserves Working Party. =MC are tasked to produce sufficient evidence in time for a paper to be produced for the Board outlining the Business Case The Chairman and Chief Executive will incorporate the information from the survey, as appropriate, in the Business Case to go to the Board on 23rd September and then the DH.

2.6 A process for the destruction of confidential data, when the survey process has been completed and reported has been agreed with =MC and reported to the community of care.

3. The Way Forward

3.1 The Timelines for allocating funds will depend on the promptitude with which DH give approval to the Business Case. It seems unlikely that this will be before January 2013.

3.2 The Chairman and Chief Executive are working on key issues which have to be addressed before funds can be released. These are:

- Governance: The Governance arrangements for considering applications for funding. (This is the subject of a separate agenda item.)

- Cash Flow: The cash flow for allocating funds. Discussions were held on 27th June with the Investment Managers and they will be proposing the preferred way for releasing funds for capital needs, when appropriate
- Accounting: Presentation of information in the Annual Accounts which separate capital fund allocations from Reserves. This will be essential so that the Board can inform the DH of the amount allocated and the remaining level of Reserves.

3.3 The commitment to uplift the non-discretionary payments through MFET by the CPI year on year led to DH having to seek savings elsewhere. It is likely this will be met, in the main, by freezing the MFT's (and CF) discretionary disbursement allocations with no preservation of values.

3.4 It is likely that the DH will seek the disbursement of an agreed amount from the retained reserves to be staged over more than one financial year. It is likely this will be managed alongside a planned "off-set" to meet the Department's need to present a cash saving in the disbursement allocation.

Martin Harvey
Chief Executive
4th July 2012